

Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.	https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html	Minor update	<p>A 'final' consultation on this topic closed on 3 July 2019. The main proposal is that all employer costs (pension and non-pension) are capped at £95k when an employee leaves on grounds such as a compromise agreement or redundancy. For redundancy, the statutory redundancy payments must be paid so other benefits would need to be adjusted to ensure the £95k is not breached (although some exceptions apply).</p> <p>The consultation is not clear on how this would work in Schemes such as the LGPS. It is likely that LGPS Regulations would need to be changed such that an employee who leaves aged 55 over on redundancy grounds would face some reductions to their pension. For non-redundancy cases, existing employer discretions may become limited.</p> <p>Furthermore, the likely implementation date is also not clear. Initially it was planned that a proposal would be taken to Parliament before the summer recess but due to legislative backlog currently present, it is unlikely to now reach Parliament until 2021.</p>	PEN021
MHCLG	Fair Deal Consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection	No change since the last meeting	<p>Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation.</p> <p>Again, because of the Parliamentary backlog, further progress may not be seen until 2021.</p>	PEN040
	<i>Changes to the Local Valuation Cycle and the Management of Employer risk Consultation</i>	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf	No update	<p>This consultation covers the following areas:</p> <ol style="list-style-type: none"> 1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle. 2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles. 3). Proposals for flexibility on exit payments. 4). Proposals for further policy changes to exit credits 5). Proposals for policy changes to employers required to offer LGPS Membership. <p>Section 5 proposes giving greater flexibility for further education corporations, sixth form college corporations and higher education corporations concerning membership of the LGPS and is the most</p>	PEN044

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				<p>surprising part of this proposal; current employees would be protected but future employees could be ineligible.</p> <p>The consultation closed on 31 July 2019 and officers responded accordingly.</p> <p>The Government has only responded to section 4 of this consultation and has passed amendments to the LGPS Regulations which applied from 20 March 2020 but with retrospective effect to 14 May 2018. As such, officers amended the Fund's cessation policy which was approved by Committee on 26 March 2020. The consultation period with employers closed with no comments of note (just clarification questions) and hence the new cessation policy is now in place.</p>	
The Department of Work and Pensions (DWP)	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/	No change since the last meeting	Discussions are still going on at a national level. Recent discussion suggests an implementation timeframe of mid 2020s	PEN038
Financial Reporting Council	Proposed revision to the UK Stewardship Code	https://www.frc.org.uk/investors/uk-stewardship-code	No change since the last meeting	<p>The Financial Reporting Council (FRC) published the revised Stewardship Code on 24th October 2019 which sets substantially higher expectations for investor stewardship policy and practice.</p> <p>Officers will now review Fund compliance to the new code and begin drafting a new Statement of Compliance for review by the FRC, but 31 March 2021.</p>	None

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Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	No change since the last meeting	<p>SAB commissioned PwC to produce a report on "Options for Academies in the LGPS" and the report was published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund.</p> <p>SAB's work is still on-going and Bob Holloway from the LGA previously stated that a wide range of options in both work streams are still be considered. For example, changing the administration arrangements or putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force.</p>	None
	Cost cap mechanism & McCloud case	Summary by Osborne Clarke (our external legal advisers)	Minor update	<p>The latest position on McCloud from the SAB and ministers can be found below. Progress is still at an earlier stage and timeframes and shape of the final remedy are both unclear:</p> <p>SAB Q&A Treasury statement</p> <p>However, the SAB has indicated that it intends to produce a consultation document for the Summer Parliamentary recess (i.e. in July 2020).</p> <p>Barnett Waddingham recently produced this briefing note which is the most comprehensive and most useful analysis officers have seen so far (despite the uncertainty): McCloud briefing note</p>	PEN042
	Tier 3 employers review	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	No change since the last meeting	<p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies). SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps.</p>	None

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				In 2019, Aon Hewitt produced a detailed report which is available on the SAB website which outlines its finding on the identification of issues but the report doesn't make any specific recommendations. SAB is yet to advise what actions it will take following receipt of the report.	
	Good Governance Project (formerly known as the Separation Project)	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	Updated	<p>Hymans-Robertson, on behalf of the SAB, has released its report on phase II which outlines a number of specific recommendations.</p> <p>Hymans Robertson and SAB are now moving towards Phase III of the project. In preparation of this, a series of roundtable discussions took place where there is an opportunity to give feedback to the Phase II proposals.</p> <p>Again, due to legislative delays caused by COVID-19, we understand the timeframes for this project have been postponed.</p>	None
	Guidance Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	<p>The Guidance project will identify regulations which may be better placed within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.</p> <p>This project is at an early stage and no further information is available at this time.</p>	PEN039
	Data Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	<p>The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.</p>	None
Wiltshire Pension Fund	Miscellaneous Updates	None	Updated	a). COVID-19 update: Despite a number of early adjustments being made, it is still largely business as usual from an operational point of view as Fund officers are able to all work from home without major issues. However, in terms of impacts and risks faced by the Fund:	See COVID-19

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				<p>i). <u>Funding level</u> – We had been receiving weekly funding level updates from the actuary due to the volatility in markets seen in March, however the picture is now more settled. The whole-fund funding level dropped as low as 86% in March (from 99% shortly before) although it has been more stable since then and has partially recovered to around 95% (at early July).</p> <p>ii). <u>Employer risk</u>: There is a risk of employers failing to pay contributions or provide data as a result of the situation. The Fund contacted employers and some employers said they may have some issues but on the whole the picture seemed fine.</p> <p>There has been no increase in late payments so far and the Fund already has guarantees in place for most higher risk employers.</p> <p>Data returns have been coming in later than expected from some employers which has put some additional pressure on the EoY process which may mean the annual benefit statement completion rate is lower than hoped.</p> <p>Officers are keeping both areas under review.</p> <p>iii). <u>Service provider risk</u>: We also contacted all major service providers and all confirmed they were able to remain operational largely as normal; officers have only seen some minor/short-term impact service availability which has shown good resistance to this issue.</p> <p>b). <u>Business Plan</u>: The Fund Business Plan was approved at the last Committee, and despite the impact of COVID-19, officers are still working to achieve the developments in the Business Plan as previously intended and are on target to do so.</p> <p>c). <u>Terms of reference</u>: The proposed Terms of Reference for the Local Pension Board and Wiltshire Pension Fund Committee have now passed both the Constitutional Focus Group stage (after a number of small amendments) on 17 June 2020 and the Standards</p>	

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				<p>Committee on 7 July 2020. It will next go to Full Council to be finalised.</p> <p>d). <u>I-connect and staff restructure</u>: The Fund now has around 45 employers out of approximately 175 onboarded on to i-Connect. This now includes Wiltshire Council (our largest employer) and in total this covers well over 40% of the active membership.</p> <p>As a result of the significant impact of i-Connect, we have now made some adjustments to part of the admin team structure to fit our resourcing to our processes. Whilst there will be material long-term benefits to this change, in the short-term this is using up significant resource.</p> <p>e). <u>End of year update (End of Year, Annual Benefit Statements)</u>: Some employers experienced delays sending us the end of year information we required but these are resolved now and we are also starting to see the benefit of i-Connect being in place in terms of the efficiency of the process (which will be fully realised in this respect for next year). We are still targeting issuing 99% of active member ABSs by 31 August (the regulatory deadline); this is hopefully still achievable but is now largely reliant on employers answering queries in a timely manner and it is too early to see if this is achieved.</p> <p>f). <u>Pensioner payroll reconciliation</u>: With additional resource now available again, officers have focused again on this area but unfortunately a number of software limitations have made this even more difficult than expected to progress as hoped. Officers hope to bring a summary paper and proposal to Committee in the Autumn.</p> <p>g). <u>Employer Ill-health insurance review</u>: The current provision put in place in 2017 is highly expensive and has caused a number of administrative difficulties. Officers are currently putting a proposal together to put a replacement provision in place some time later this year which should be cheaper and mitigate risk in a similar way.</p> <p>h). <u>Member handbook</u>: Given changes in the approach to providing induction and training material to Committee members overtime (which is now largely on online) and the availability of governance handbooks from third parties, officers intend to discontinue to the current handbooks which do not appear to be used by members and are onerous to maintain.</p>	

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				<p>i). <u>Wiltshire Council services update</u>: The Fund is reliant on a number of Wiltshire Council services, as a service provider which are under strain resourcing-wise following austerity and, more recently COVID-19.</p> <p>Whilst the systems have generally proved reliable in the recent months, and have coped well under the current pandemic situations, officers have continued to have great difficulty in getting ITC to install or maintain key pieces of software and access to certain sites; in some cases the Fund has been waiting for over a year or over two years for solutions to be put in place despite reminders and escalation – limiting our ability to deliver certain parts of our Business Plan. Officers will continue to raise matters appropriately and seek improvements whilst being considerate to the budget constraints on the wider Council.</p> <p>There is also general discussions taking place over how other Council changes impact upon the Fund.</p>	